

TOWNSHIP OF HAY
Gladwin County, Michigan
26-110

GENERAL PURPOSE FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

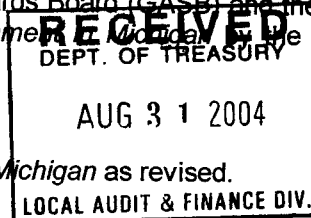
Year Ended March 31, 2004

AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Hay	County Gladwin
Audit Date March 31, 2004	Opinion Date August 5, 2004	Date Accountant Report Submitted to State: August 5, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government, as adopted by the Michigan Department of Treasury.



We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686		City Bay City	State MI
Accountant Signature Campbell, Kusterer & Co., P.C.		Zip 48707	

TOWNSHIP OF HAY
Gladwin County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

August 5, 2004

To the Township Board
Township of Hay
Gladwin County, Michigan

We have audited the accompanying general purpose financial statements of the Township of Hay, Gladwin County, Michigan, as of March 31, 2004, and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township of Hay's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Hay, Gladwin County, Michigan, as of March 31, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Township of Hay, Gladwin County, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF HAY
Gladwin County, Michigan

COMBINED BALANCE SHEET – ALL FUND TYPES AND ACCOUNT GROUPS

March 31, 2004

EXHIBIT A

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Account Group</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Agency</u>	<u>General Fixed Assets</u>
<u>Assets</u>				
Cash in bank	177 075 44	198 273 01	1 395 77	-
Taxes receivable	4 278 59	8 468 86	-	-
Special assessments receivable	-	24 880 16	-	-
Due from other funds	1 395 77	-	-	-
Land	-	-	-	1 00
Buildings and improvements	-	-	-	27 245 75
Equipment	-	-	-	24 818 01
Total Assets	<u>182 749 80</u>	<u>231 622 03</u>	<u>1 395 77</u>	<u>52 064 76</u>
<u>Liabilities and Fund Equity</u>				
Liabilities:				
Accounts payable	677 61	5 876 34	-	-
Due to others funds	-	-	1 395 77	-
Total liabilities	<u>677 61</u>	<u>5 876 34</u>	<u>1 395 77</u>	<u>-</u>
Fund equity:				
Investment in general fixed assets	-	-	-	52 064 76
Fund balances:				
Unreserved:				
Undesignated	182 072 19	225 745 69	-	-
Total fund equity	<u>182 072 19</u>	<u>225 745 69</u>	<u>-</u>	<u>52 064 76</u>
Total Liabilities and Fund Equity	<u>182 749 80</u>	<u>231 622 03</u>	<u>1 395 77</u>	<u>52 064 76</u>

The accompanying notes are an integral part of these financial statements.

Total
(Memorandum
Only)

376 744 22
12 747 45

24 880 16
1 395 77
1 00

27 245 75

24 818 01

467 832 36

6 553 95
1 395 77

7 949 72

52 064 76

407 817 88

459 882 64

467 832 36

TOWNSHIP OF HAY
Gladwin County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES

EXHIBIT B

Year Ended March 31, 2004

	<u>Governmental Fund Types</u>		<u>Total</u>
	<u>General</u>	<u>Special Revenue</u>	<u>(Memorandum Only)</u>
Revenues:			
Property taxes	26 921 72	49 793 28	76 715 00
Other taxes - swamp	2 724 98	-	2 724 98
Licenses and permits	210 00	-	210 00
State revenue sharing	83 924 96	-	83 924 96
Charges for services	3 925 10	-	3 925 10
Interest	2 945 60	1 596 09	4 541 69
Special assessments	-	139 616 57	139 616 57
Miscellaneous	9 593 08	-	9 593 08
Total revenues	<u>130 245 44</u>	<u>191 005 94</u>	<u>321 251 38</u>
Expenditures:			
Legislative:			
Township Board	28 436 39	-	28 436 39
General government:			
Supervisor	7 338 60	-	7 338 60
Assessor	19 460 59	-	19 460 59
Clerk	9 034 85	-	9 034 85
Board of Review	1 336 50	-	1 336 50
Treasurer	16 894 57	-	16 894 57
Building and grounds	3 146 75	-	3 146 75
Public safety:			
Liquor law enforcement	1 701 86	-	1 701 86
Fire protection	-	36 204 14	36 204 14
Public works:			
Highways and streets	153 588 09	45 421 70	199 009 79
Sanitation	-	97 483 74	97 483 74
Total expenditures	<u>240 938 20</u>	<u>179 109 58</u>	<u>420 047 78</u>
Excess (deficiency) of revenues over expenditures	(110 692 76)	11 896 36	(98 796 40)
Fund balances, April 1	<u>292 764 95</u>	<u>213 849 33</u>	<u>506 614 28</u>
Fund Balances, March 31	<u>182 072 19</u>	<u>225 745 69</u>	<u>407 817 88</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HAY
Gladwin County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL –
GENERAL AND SPECIAL REVENUE FUNDS
Year Ended March 31, 2004

EXHIBIT C
Page 1

	<u>General Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues:			
Property taxes	26 174 56	26 921 72	747 16
Other taxes – swamp	2 724 98	2 724 98	-
Licenses and permits	200 00	210 00	10 00
State revenue sharing	110 117 50	83 924 96	(26 192 54)
Charges for services	6 707 50	3 925 10	(2 782 40)
Interest	4 525 00	2 945 60	(1 579 40)
Special assessments	-	-	-
Miscellaneous	<u>14 839 12</u>	<u>9 593 08</u>	<u>(5 246 04)</u>
Total revenues	<u>165 288 66</u>	<u>130 245 44</u>	<u>(35 043 22)</u>
Expenditures:			
Legislative:			
Township Board	47 776 00	28 436 39	(19 339 61)
General government:			
Supervisor	7 703 00	7 338 60	(364 40)
Elections	1 000 00	-	(1 000 00)
Assessor	21 460 00	19 460 59	(1 999 41)
Clerk	10 446 00	9 034 85	(1 411 15)
Board of Review	1 875 00	1 336 50	(538 50)
Treasurer	16 661 50	16 894 57	233 07
Building and grounds	5 540 00	3 146 75	(2 393 25)
Public safety:			
Liquor law enforcement	2 259 00	1 701 86	(557 14)
Fire protection	-	-	-
Public works:			
Highways and streets	135 000 00	153 588 09	18 588 09
Sanitation	1 000 00	-	(1 000 00)
Weed control	-	-	-
Other functions:			
Contingency	<u>5 000 00</u>	<u>-</u>	<u>(5 000 00)</u>

The accompanying notes are an integral part of these financial statements.

Special Revenue Funds

<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
48 421 68	49 793 28	1 371 60
-	-	-
-	-	-
-	-	-
-	-	-
-	1 596 09	1 596 09
311 100 00	139 616 57	(171 483 43)
-	-	-
<u>359 521 68</u>	<u>191 005 94</u>	<u>(168 515 74)</u>
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
35 000 00	36 204 14	1 204 14
48 421 68	45 421 70	(2 999 98)
120 000 00	97 483 74	(22 516 26)
116 100 00	-	(116 100 00)
-	-	-

TOWNSHIP OF HAY
Gladwin County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL –
GENERAL AND SPECIAL REVENUE FUNDS
Year Ended March 31, 2004

EXHIBIT C
Page 2

	<u>General Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Total expenditures	<u>255 720 50</u>	<u>240 938 20</u>	<u>(14 782 30)</u>
Excess (deficiency) of revenues over expenditures	(90 431 84)	(110 692 76)	(20 260 92)
Fund balances, April 1	<u>290 516 21</u>	<u>292 764 95</u>	<u>2 248 74</u>
Fund Balances, March 31	<u>200 084 37</u>	<u>182 072 19</u>	<u>(18 012 18)</u>

The accompanying notes are an integral part of these financial statements.

<u>Special Revenue Funds</u>		
<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<u>319 521 68</u>	<u>179 109 58</u>	<u>(140 412 10)</u>
40 000 00	11 896 36	(28 103 64)
<u>-</u>	<u>213 849 33</u>	<u>213 849 33</u>
<u>40 000 00</u>	<u>225 745 69</u>	<u>185 745 69</u>

TOWNSHIP OF HAY
Gladwin County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Hay, Gladwin County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14 "The Financial Reporting Entity," the general purpose financial statements of the Township contain all the Township funds and account groups that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Hay. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Basis of Presentation

The financial activities of the local unit are recorded in separate funds and account groups, categorized and described as follows:

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenue requiring separate accounting because of legal or regulatory provisions, or administrative action.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Account Group

TOWNSHIP OF HAY
Gladwin County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

General Fixed Assets Account Group

This account group presents the fixed assets of the local unit utilized in its general operations.

Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present revenues and other financing sources and, expenditures and other financial uses in net current assets.

The modified accrual basis of accounting is followed by the governmental fund types. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual which is both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than principal and interest on long-term debt, are recorded when the related fund liability is incurred, if measurable. Principal and interest on general long-term debt is recognized when due.

Revenues from local sources consist primarily of property taxes. Property taxes and revenues received from the State are recognized when susceptible to accrual. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The Township 2003 tax roll millage rate was 2.0635 mills, and the taxable value was \$37,271,275.00.

TOWNSHIP OF HAY
Gladwin County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Fixed Assets

Purchases of fixed assets for all funds are recorded as expenditures in their respective funds at the time of purchase. They are also recorded at cost in the General Fixed Assets Group of Accounts which is required by generally accepted accounting principles.

Investments

Investments are stated at market.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Compensated Absences (Vacation and Sick Leave)

Township employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.

TOWNSHIP OF HAY
Gladwin County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Budgets and Budgetary Accounting (continued)

5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Postemployment Benefits

The Township provides no postemployment benefits to past employees.

Note 2 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated two banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

TOWNSHIP OF HAY
Gladwin County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 2 – Deposits and Investments (continued)

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>376 744 22</u>
Amounts in the bank balances are without considering deposits in transit or uncleared checks.	

	<u>Bank Balances</u>
Insured (FDIC)	150 000 00
Uninsured and Uncollateralized	<u>236 212 17</u>
Total Deposits	<u>386 212 17</u>

The Township of Hay did not have any investments as of March 31, 2004.

Note 3 – Changes in General Fixed Assets

A summary of changes in general fixed assets follows:

	<u>Balance 4/1/03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/04</u>
Land	1 00	-	-	1 00
Buildings and improvements	27 245 75	-	-	27 245 75
Equipment	<u>24 818 01</u>	<u>-</u>	<u>-</u>	<u>24 818 01</u>
Totals	<u>52 064 76</u>	<u>-</u>	<u>-</u>	<u>52 064 76</u>

TOWNSHIP OF HAY
Gladwin County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 4 – Budget Variances

For the fiscal year ended March 31, 2004, Township expenditures exceeded budgeted amounts as follows:

	<u>Total Budget</u>	<u>Total Expenditures</u>	<u>Budget Variance</u>
General Fund Activity:			
Treasurer	16 661 50	16 894 57	233 07
Highways and streets	135 000 00	153 588 09	18 588 09
Fire Fund Activity:			
Fire protection	35 000 00	36 204 14	1 204 14

Note 5 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	<u>1 395 77</u>	Current Tax Collection	<u>1 395 77</u>
Total	<u><u>1 395 77</u></u>	Total	<u><u>1 395 77</u></u>

Note 6 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 7 – Pension Plan

The Township has a defined contribution pension plan covering substantially all full-time employees. The Township contributes an amount of each employee's annual salary to the plan. Pension expense for the fiscal year ended March 31, 2004, was \$3,671.45.

Note 8 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

TOWNSHIP OF HAY
Gladwin County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 9 – Building Permits

The Township of Hay does not issue building permits. Building permits are issued by the County of Gladwin.

Note 10 – Total Columns on Combined Statements--Overview

The total columns on the combined financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation, because interfund eliminations have not been made in the aggregation of this data.

TOWNSHIP OF HAY
Gladwin County, Michigan

COMBINING BALANCE SHEET – ALL SPECIAL REVENUE FUNDS
Year Ended March 31, 2004

EXHIBIT D

	<u>Fire</u>	<u>Solid Waste</u>	<u>Road</u>	<u>Total</u>
<u>Assets</u>				
Cash in bank	9 599 12	170 455 07	18 218 82	198 273 01
Taxes receivable	-	-	8 468 86	8 468 86
Special assessments receivable	<u>5 876 34</u>	<u>19 003 82</u>	<u>-</u>	<u>24 880 16</u>
Total Assets	<u>15 475 46</u>	<u>189 458 89</u>	<u>26 687 68</u>	<u>231 622 03</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	<u>5 876 34</u>	<u>-</u>	<u>-</u>	<u>5 876 34</u>
Fund balances:				
Unreserved:				
Undesignated	<u>9 599 12</u>	<u>189 458 89</u>	<u>26 687 68</u>	<u>225 745 69</u>
Total Liabilities and Fund Balances	<u>15 475 46</u>	<u>189 458 89</u>	<u>26 687 68</u>	<u>231 622 03</u>

TOWNSHIP OF HAY
Gladwin County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – ALL SPECIAL REVENUE FUNDS EXHIBIT E
Year Ended March 31, 2004

	<u>Fire</u>	<u>Solid Waste</u>	<u>Road</u>	<u>Total</u>
Revenues:				
Property taxes	-	-	49 793 28	49 793 28
Interest	-	1 596 09	-	1 596 09
Special assessments	<u>36 192 90</u>	<u>103 423 67</u>	<u>-</u>	<u>139 616 57</u>
Total revenues	<u>36 192 90</u>	<u>105 019 76</u>	<u>49 793 28</u>	<u>191 005 94</u>
Expenditures:				
Fire	36 204 14	-	-	36 204 14
Highways and streets	-	-	45 421 70	45 421 70
Sanitation	<u>-</u>	<u>97 483 74</u>	<u>-</u>	<u>97 483 74</u>
Total expenditures	<u>36 204 14</u>	<u>97 483 74</u>	<u>45 421 70</u>	<u>179 109 58</u>
Excess (deficiency) of revenues over expenditures	(11 24)	7 536 02	4 371 58	11 896 36
Fund balances, April 1	<u>9 610 36</u>	<u>181 922 87</u>	<u>22 316 10</u>	<u>213 849 33</u>
Fund Balances, March 31	<u>9 599 12</u>	<u>189 458 89</u>	<u>26 687 68</u>	<u>225 745 69</u>

TOWNSHIP OF HAY
Gladwin County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year Ended March 31, 2004

EXHIBIT F

	<u>Balance 4/1/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 3/31/04</u>
<u>Assets</u>				
Cash in Bank	<u>362 83</u>	<u>1 165 458 30</u>	<u>1 164 425 36</u>	<u>1 395 77</u>
<u>Liabilities</u>				
Due to other funds	209 19	179 420 60	178 234 02	1 395 77
Due to other units	<u>153 64</u>	<u>986 037 70</u>	<u>986 191 34</u>	<u>-</u>
Total Liabilities	<u>362 83</u>	<u>1 165 458 30</u>	<u>1 164 425 36</u>	<u>1 395 77</u>

CAMPBELL, KUSTERER & CO., P.C.

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

RECEIVED
DEPT. OF TREASURY

AUG 31 2004

LOCAL AUDIT & FINANCE DIV.

August 5, 2004

To the Township Board
Township of Hay
Gladwin County, Michigan

We have audited the financial statements of the Township of Hay, for the year ended March 31, 2004. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Hay in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

To the Township Board
Township of Hay
Gladwin County, Michigan

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

To the Township Board
Township of Hay
Gladwin County, Michigan

GASB 34 IMPLEMENTATION

The Governmental Accounting Standards Board issued a new reporting model for governmental units which is to be implemented over the next few years. The implementation date of this pronouncement for the Township of Hay will begin with the year ended March 31, 2004, and will need to be implemented fully by March 31, 2005. The daily operations and recording transactions should not change significantly, however, the Township will be required to maintain additional records for the year end adjustments to the final presentation format.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2004.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants